

Message Text

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PAGE 01 STATE 041540

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DRAFTED BY EUR/EE:DNMILLER/FDR

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R 242211Z FEB 75
FM SECSTATE WASHDC
TO AMEMBASSY BUDAPEST

C O N F I D E N T I A L STATE 041540

LIMDIS

E.O. 11652: GDS
TAGS: EFIN,HU
SUBJECT: HUNGARIAN 1975 PAYMENT ON CLAIMS AGREEMENT
REF: BUDAPEST 489

1. WE WERE SURPRISED AND DISAPPOINTED THAT NATIONAL BANK VP FEKETE STATED GOH WOULD SUSPEND CLAIMS AGREEMENT PAYMENTS IF GOLD COIN SALES WERE NOT EXCLUDED WHEN DETERMINING SIZE OF THIS YEAR'S PAYMENT.

2. IN OUR VIEW, FEKETE'S PROPOSAL IS NOT COMPATIBLE WITH THE CLAIMS AGREEMENT HE NEGOTIATED WITH US. AS EMBASSY IS AWARE, UNDER TERMS OF AGREEMENT THE FT-990 STATISTICS ARE USED IN DETERMINING AMOUNTS DUE EACH YEAR AND GOLD COINS ARE INCLUDED IN THOSE STATISTICS. WE SEE NO REASON TO RE-VISE THIS FEATURE OF SETTLEMENT. ALSO THE INCREASED PAYMENT CAUSED BY THESE COIN EXPORTS DOES NOT ADD TO TOTAL DUE USG, BUT SIMPLY REPRESENTS AN ACCELERATION OF GOH PAYMENTS.

3. FYI: BASED ON OUR EXPERIENCE WITH FEKETE, IT IS ALSO
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PAGE 02 STATE 041540

CONCEIVABLE THAT HE IS FLOATING A TRIAL BALLOON. THIS WOULD

COST THE HUNGARIANS NOTHING, SINCE NON-PAYMENT IN ANY CASE

COULD ALWAYS BE ATTRIBUTABLE TO THE ANNEX F LOOPHOLE
LINKING CLAIMS PAYMENT WITH MFN. WE WOULD APPRECIATE YOUR
VIEWS ON THIS. END FYI.

4. WE WISH TO AVOID TAKING UNNECESSARILY EARLY POSITION
ON GOLD COINS/ CLAIMS PAYMENT, ESPECIALLY SINCE WE HAVE
NO WAY OF KNOWING EXTENT TO WHICH FEKETE IS SPEAKING FOR
GOH. DURING NEXT CONVERSATION WITH FEKETE, EMBASSY MAY
WISH TO MAKE FOLLOWING POINTS TO HIM:

- -- CLAIMS AGREEMENT IS QUITE SPECIFIC ON MANNER
- OF CALCULATION OF ANNUAL PAYMENT DUE.

- -- GOLD COINS WERE PROPERLY INCLUDED IN FT 990
- STATISTIC, AND BASIS OF CALCULATION FOR US
- IMPORTS HAS NOT CHANGED SINCE CLAIMS AGREEMENT WAS NEGOTIATED.

- -- LARGER PAYMENT THIS YEAR IS AN ACCELERATION,
- NOT AN INCREASE, IN HUNGARIAN PAYMENTS.

- -- IT IS IN OUR MUTUAL INTEREST THAT HUNGARIAN
- PAYMENT OF THE SUM DUE UNDER THE CLAIMS AGREEMENT SHOULD NOT BECOME AN ISSUE IN US-HUNGARIAN RELATIONS.

5. IF FEKETE'S POSITION IS ADOPTED BY GOH, WE WOULD EXPECT THAT EMBASSY WILL BEGIN TO HEAR IT IN OTHER OFFICIAL CONTACTS. WE DO NOT HAVE TO DELIVER THE NOTE INFORMING GOH OF ITS 1975 OBLIGATION (TEXT TO BE FORWARDED IN SEPTEL) UNTIL MARCH 31. KISSINGER

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